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RUEHAC/AMEMBASSY ASUNCION 6608  
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EMBASSY PARIS PASS USOECD PAUL REID  
PASS NSC FOR MICHAEL SMART  
PASS FED BOARD OF GOVERNORS FOR PATRICE ROBITAILLE  
PASS USTR FOR KATHERINE DUCKWORTH AND MARY SULLIVAN  
TREASURY FOR MATT MALLOY  
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER  
US SOUTHCOM FOR POLAD

E.O. 12958: N/A

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SUBJECT: ARGENTINA'S INVESTMENT PITCH MARRED BY POOR GRADES ON  
CORRUPTION, DOING BUSINESS

REF: Buenos Aires 1938

¶1. (U) Summary: During President and Mrs. Kirchner's New York business-focused visit (reftel), two highly respected and widely read international business reports released their annual surveys - and Argentina came up wanting. Transparency International's "Corruption Perceptions Index 2007" (CPI) and the World Bank's "Doing Business 2008" both released their findings on September 25, were widely publicized in local media, and gave Argentina poor grades in the areas of corruption and ease of doing business. The reports largely tracked with previous years' ratings. End Summary.

¶2. (U) Transparency International's CPI, the preeminent comparative international measure of corruption, ranked Argentina 105 out of 180, ranking it alongside Mongolia, Albania, Bolivia and Burkina Faso. The 2007 CPI survey ranked 180 countries and territories by their perceived levels of corruption, as determined by expert assessments, opinion surveys and business people, and ranges between 10 (highly clean) and 0 (highly corrupt). Denmark, Finland and New Zealand, all at 9.4, led the list. The United States ranked 20th, at 7.2. Among Latin American nations, Chile (#22, 7.0) and Uruguay (#25, 6.7) again led the region in 2007. Argentina's index was 2.9. Venezuela (#162, 2.0) and Haiti (177, 1.6) bottomed out the list for the Western Hemisphere.

¶3. (U) In the World Bank's Doing Business 2008 survey, Argentina ranked 109 of 178, alongside Bangladesh, Nigeria, Belarus, and Nepal. The survey is a composite, "ease of doing business" index comprised of the following factors: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business. Singapore, New Zealand, and the United States occupied top three spots. Among Latin America and the Caribbean, Puerto Rico (28), Chile (33), and St. Lucia (34) were the highest ranking; Haiti, Venezuela and Ecuador were the worst.

¶4. (SBU) One of the most noteworthy and wide disseminated factors that comprised this overall "doing business" survey picked up by the local press was the number of salary weeks payment required to terminate an employee. Employers must pay a fired worker 139 weeks of salary in Argentina (compared to zero in the United States, Denmark, and New Zealand). Note that this 139-week figure does not take into account GOA's recent termination of its onerous "double indemnification" labor termination policy; if it had, this number would have been less. Nevertheless, even if this policy change had been incorporated into the survey, according to the survey's methodology, Argentina's overall Doing Business score would not have changed much.

¶5. (U) The Doing Business 2008 survey highlighted other serious policy challenges facing Argentina. While it takes only one legal procedure to start a new business in Australia (four in the United States), it takes 14 in Argentina. While it takes two days to start a new business in Australia (six in the United States), it takes 31 in Argentina. These and other findings serve as reminders of why employers are reluctant to hire new workers (an estimated 41% of the Argentine labor force is informal) or make new investments.

¶6. (SBU) Comment: Unfortunately for the GOA, these reports were released at precisely the time that its first couple was pitching Argentina to investors in New York. On the one hand, they were a rude reminder to prospective investors about the challenges of doing business here. However, on the other hand, the reports tracked almost exactly with previous years' ratings, and thus there was a sense of resignation and "nothing new" to the reports. And, in an almost perverse sense, as GOA officials are constantly saying that there is "money to be made in Argentina," perhaps the real message to these damaging reports is that, yes, there is money to be made, as long as you know how - and with whom - "doing business" is really

done in Argentina. Local banking and business sources noted that

presidential candidate Cristina Fernandez de Kirchner missed and opportunity to address these and other issues during her September 24-28 visit to New York. End comment.

WAYNE